

# The Chronicle

## Banking, Insurance and Finance

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### THE BANK OF MONTREAL'S STATEMENT.

One of the most interesting features of the Bank of Montreal's newly-published half-yearly statement is the excellent showing made by interest-bearing deposits. At \$247,904,856, these mark an advance of fully \$15,000,000 upon the total of \$232,731,994 reported a year ago. Popular comment perhaps goes somewhat astray in its anxiety adequately to account for the marked advance in interest-bearing deposits, which is, we believe, being experienced at present by the banks generally. Is it customary to refer to these increases as being "in spite of war loans". But in fact, under present circumstances, money borrowed by the Government is circulated with very fair rapidity, and while such an operation as the Victory Loan would undoubtedly drastically disturb savings accounts, the eventual affects of the loan, through the rapid disbursements of its proceeds, is merely to shift the balances of one set of depositors to another set. The real significance of this increase in interest-bearing deposits lies simply in their reflection, a very satisfactory reflection, of present prosperity, caused by industrial war-activities, and the enormous demand for practically all our leading products at high prices.

Non-interest-bearing deposits of the Bank of Montreal also show a very marked growth, their total of \$109,851,950 comparing with \$91,412,285. This development would be, in part, accounted for by the expansion during the year in the Bank's current loans and discounts. With circulation 25 per cent. higher than a year ago, \$28,349,607, against \$21,891,437, a result of industrial and trade activity and of the rise in prices, the Bank's liabilities to the public are increased to \$389,264,763 compared with \$350,580,565 in April, 1917.

Considerable changes appear on the assets side of the accounts. Foreign bank balances have been brought down by \$7,500,000 in the twelve months from \$23,189,920 to \$15,679,641 and call loans abroad decreased by over \$17,500,000 from \$114,156,888 to \$96,584,366. On the other hand, Dominion note holdings have been doubled, \$60,457,839 against \$30,971,312 and deposits in the Central Gold Reserve almost doubled (to take care of the rise in circulation)—\$13,500,000 compared with \$7,000,000. A particularly substantial rise appears in current loans and discounts, which show a gain for the year of \$127,445,577 compared with \$109,313,438, the bulk of the gain of \$18,000,000 being accounted for by a rise of \$8,500,000 in Canadian commercial loans and of \$7,000,000 in municipal loans. Total security holdings are \$68,888,212 against \$59,085,684. Holdings of Dominion

and provincial bonds are about \$5,000,000 less than a year ago, and railway and miscellaneous bonds and stocks have been reduced by over \$2,300,000 to \$12,436,459. British, etc., securities, representing the Bank's direct aid in war financing, and Canadian municipal securities are, however, over \$17,000,000 higher at \$45,280,437 compared with \$28,090,026.

As usual, a magnificent reserve position is reported, quick assets at \$291,625,074 being in a proportion of 75 per cent. of liabilities to the public which are \$389,264,763. Total assets at \$426,322,097 show a gain for the twelve months of \$39,500,000. While the present expansion in the figures of the Bank of Montreal, and of the banks generally, reflects the prosperity of the country at large, it must not be forgotten that that prosperity owes much to the vigorous and statesman-like policy of the banks in granting necessary credits, in collaboration with the Minister of Finance, action which has only been possible through the strength and skill which enabled the banks to steer in safety through the financial crisis at the outbreak of the war. The record which has been made in this connection enables the uncertain future to be faced with a high degree of confidence.

With regard to the Bank's earnings, these are reported for the half-year as \$1,664,893, compared with \$1,182,610 in the half-year ending April 30th, 1917, and equal to 10.4 per cent per annum upon the capital and rest combined as against 7.4 per cent. a year ago. Two quarterly dividends at the rate of 10 per cent. per annum and a bonus of one per cent. absorb \$960,000, the war tax on bank note circulation, \$80,000; \$27,500 goes to Patriotic Fund subscriptions, and \$100,000 as provision for bank premises, the accumulated balance on profit and loss account being thus increased to \$1,784,980.

### THE GENERAL FINANCIAL SITUATION.

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Industrial shares have improved materially in intrinsic value the last three years owing to the huge profits that have been husbanded and placed back into the properties, so that their securities are more acceptable as the sole collateral for loans than at any other time in the history of finance." Thus the expectation is that the ultra-conservative banks and out-of-town institutions which have refused to make loans on such collateral will fall into line. One wonders whether our Canadian banks were among the ultra-conservative ones that fought against the innovation.

The clearing house banks in New York in their Saturday statement reported a loss of reserve strength which nearly offset the very large gain of the preceding week. Loans decreased \$19,200,000; reserve in federal reserve bank of member banks decreased \$55,200,000 net time and demand deposits show a net decrease of less than \$100,000. The Government deposits stood at \$514,000,000, as against \$524,000,000 in the preceding week. The New York banks have to face a formidable transaction in June, in connection with the payments of income taxes and excess pro't taxes to the United States Government. Many corporations and individuals will be compelled to borrow heavily to meet these impending tax payments.